

Message Text

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41

ACTION NEA-10

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PRS-01 OPIC-03 IGA-02 PA-01 /128 W

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R 211015Z FEB 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4750

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT BAGHDAD

USMISSION EC BRUSSELS

USMISSION OECD PARIS

LIMITED OFFICIAL USE KUWAIT 0864

E.O. 11652: N/A

TAGS: ENRG, KU

SUBJ: HIGH LEVEL OPEC VISITORS; REACTION TO IRANIAN PRICE REDUCTION

REF: KUWAIT 0845 (NOTAL)

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1. BEGIN UNCLASSIFIED. HIGH LEVEL VENEZUELAN AND IRAQI OIL OFFICIALS VISITED KUWAIT LAST WEEK FOR TALKS WITH KUWAIT MINISTER OF OIL. VENEZUELAN GROUP INCLUDED DR. ALBERTO BARA OF PETROVEN BOARD AND VENEZUELAN OPEC GOVERNOR DR. ALBERTO FLORES. ACCORDING TO LOCAL PRESS REPORTS KUWAIT-VENEZUELA DISCUSSIONS WERE GENERAL, FOCUSING ON COMPARISON OF METHODS USED IN EACH COUNTRY'S RECENT TAKEOVER OF OWNERSHIP OF OIL INDUSTRY. INTERNATIONAL MARKETING AND CRUDE OIL PRICES ALSO WERE DISCUSSED. PRESS REPORTS SUGGEST THAT PRIMARY ATTENTION WAS PAID TO CONTINUING REGULAR CONSULTATION, COORDINATION AND EXCHANGE OF TECHNICAL INFORMATION AND EXPERTISE BETWEEN THE TWO OPEC COUNTRIES IN THESE AREAS IN THE FUTURE.

2. IRAQI MINISTRY OF OIL DELEGATION LED BY KARIM SHAMMA ALSO VISITED KUWAIT. ACCORDING TO PRESS IRAQI OFFICIALS WERE HERE TO DISCUSS POSSIBLE KUWAITI GAS (LPG) SALES TO IRAQ. PRESS DID NOT INDICATE WHETHER OIL PRICES OR OTHER CURRENT OPEC ISSUES WERE DISCUSSED.

3. WHILE THESE VISITS WERE TAKING PLACE IRAN ANNOUNCED ITS DECISION TO REDUCE PRICE OF IRANIAN HEAVY CRUDE BY 9.5 CENTS PER BARREL. PRESUMABLY IN REACTION TO IRANIAN MOVE, KUWAIT OIL MINISTER KAZEMI WAS QUOTED BY LOCAL PAPERS AS SAYING THAT ALTHOUGH GOK PREFERS THWIRICE DECISIONS BE REACHED BY CONSENSUS WITHIN OPEC, GOK CONSIDERS THAT EACH COUNTRY IS FREE TO MAKE ANY CORRECTION ON ITS OIL PRICES ACCORDING TO QUALITY OF THAT OIL AND PREVAILING PRICES. THUS IRANIAN-TYPE DECISION IS NOT DEEMED BY GOK TO BE CONTRAVENTION OF OPEC POLICY.

4. NEVERTHELESS, FEW DAYS LATER UNNAMED MINISTRY OF OIL OFFICIALS WERE QUOTED BY PRESS AS SAYING THAT IRANIAN DECISION WILL IMPAIR COMPETITIVENESS OF KUWAITI CRUDE IN WORLD MARKETS. MOO SOURCE SAID KUWAIT WILL RESIST ANY PRESSURE FOR FURTHER REDUCTIONS IN ITS PRICE DESPITE IRANIAN ACTION. ACCORDING TO THIS ACCOUNT GOK WILL WANT TO WAIT UNTIL MAY JAKARTA OPEC MEETING BEFORE TAKING ANY FURTHER STEPS REGARDING PRICE OF KUWAITI CRUDE. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. COMMENT: IRANIAN ACTION AND VENEZUELAN VISIT FOCUSED ATTENTION ON PRICE ISSUE AGAIN. NOT LIMITED OFFICIAL USE

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CLEAR WHETHER IRAQI OFFICIALS ALSO DISCUSSED CRUDE OIL PRICES, BUT WE WOULD BE SURPRISED IF SUBJECT DID NOT COME UP DURING THEIR VISIT. AS PARAS 3 AND 4 INDICATE, GOK IS AMBIVALENT TOWARD PRICE ISSUE, KUWAITIS BELIEVE IT IS IMPORTANT TO MAINTAIN THEIR MARKET POSITION AND EVEN TO PENETRATE NEW MARKETS, INCLUDING U.S. HOWEVER, GOK DOES NOT WANT TO CHARGE ONE PENNY LESS THAN IS NECESSARY TO SECURE CUSTOMERS. IN GENERAL GOK PREFERS WORKING OUT PRICES IN OPEC, BUT AS KUWAIT'S OWN UNILATERAL PRICE CUT LAST FALL REVEALS,

IT RECOGNIZES THAT AT ONE POINT INDIVIDUAL GOVERNMENTS HAVE
AUTHORITY TO ACT INDEPENDENTLY OF OPEC AT LEAST TO A DEGREE.
KAZEMI STATEMENT (PARA 3) ARTICULATES THIS VIEW.

6. IN SHORT GOK HAS COME TO RECOGNIZE NEED FOR CERTAIN INDEPEN-
DENCE AND FLEXIBILITY IN OIL PRICING. AS REFTEL INDICATES THERE
CONFLICTING
REPORTS REGARDING GOK'S ABILITY TO SELL ALL IT WISHES
AT PRESENT \$11.30 PER BARREL SPOTTY DAY CREDIT TERMS. HOWEVER,
SINCE REFTEL HAS BEEN SENT, PRESS HAS REPORTED THAT SHELL AND
UNNAMED GERMAN COMPANY HAVE BEEN HERE TO DISCUSS OIL PURCHASES
WITH MOO, AND ARTICLE SUGGEST THAT IN CASE OF SHELL ADDITIONAL
SALES TO THOSE ALREADY AGREED (310,000 PBPD) ARE INVOLVED. WE
CANNOT AT THIS STAGE CONFIRM THIS BUT WE SHALL REPORT ANY
ADDITIONAL SIGNIFICANT DETAILS AS THEY BECOME AVAILABLE.
MAU

NOTE: PARA 6 AS RECEIVED.

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